

## AN EVOLUTION AND DEVELOPMENT OF ACCOUNTING IN THE SELECTED AFRICAN COUNTRIES: A LITERATURE REVIEW

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### ABSTRACT

*The history of accounting is essential in both the academic and corporate environments as this would enable the society to know the origin of accounting and how it has been developed in the past and the continuation of its development. This is important as the successful running of a business organization depends on proper record keeping. The objective of this study is to give the historical background of the evolution and development of accounting in selected African countries. The study reviewed relevant literature on the evolution and development of accounting with emphasis on the selected African countries, namely Nigeria, Egypt, and South Africa. The exploratory research design was employed in the study. The relevant journal publications and textbooks were reviewed and this enables the researcher to trace the evolution and development of accounting in the pre- and post- civilization and industrial revolution in selected countries in Africa. The review of literature indicated that the selected African countries have their own methods of recording business activities before civilization and the industrial revolution. The business activities of a nation normally determined the evolution and development of accounting system of the nation. As a result, the accounting in Africa countries was not fully developed in the ancient period due to the subsistence economic activities that were prevalent during this period. Though, the review of the literature indicated that there were evidences of records keeping of the business transactions in many African countries with the ancient Egypt in the forefront of better keeping of the business transactions. The study concluded that African countries had their own methods of accounting for the business transactions before the civilization and industrial revolution, but they were later influenced by their colonial masters.*

**KEYWORDS:** Accounting Evolution, Accounting Development, Nigeria, South Africa & Egypt

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### 1. INTRODUCTION

Accounting has been defined as the language of business because of its importance in the business activities around the world. All organizations, whether small, medium or big; need accounting information in order to keep a record of their business transactions. The need for the accounting professions was at the minimal during the Stone Age as the business activities were done at very small scale, thus the need for elaborate recording of the transactions of the business organizations was not required. Even the organization with the business activities in small sizes, the owners of the business still kept records of their business activities. The recording of the business activities helped the owners of the business to know how their businesses were doing. It is also a mechanism to check the honesty of the store keepers employed by the business owners. The business cannot flourish without the record keeping of the business transactions as it would be impossible for the owners of the business to know when there is a need to place orders for inventories. The accounting served as a pillar of the business because business owners used its information to make informed business and economic decisions. The evolution and development of

book keeping witnessed in some parts of the world were not witnessed in most of the African countries. This is due in part to the low economic activities of most of the African countries. However, there were evidences that the African countries have the means of keeping records of their business transaction before the colonization and civilization. The substandard methods of record keeping such as using different sizes of stick and wood and using coal to draw lines on the wall to indicate different levels of business activities were employed. This substandard method of record keeping was common in most of the African countries (Berisha & Asllanaj, 2017; Unegbu, 2014; Ibadin & Oyakhromhe, 2010; Obara, 2004; Boolaky, 2003; Moussa, 2010; Walker, 2005; Alexander, 2002).

## **2. OBJECTIVE AND METHODOLOGY OF THE STUDY**

The objective of this study is to trace the evolution and development of accounting in the pre- and post- industrial revolution in selected African countries namely Nigeria, Egypt, and South Africa. The exploratory research design was employed in this study. The pertinent literature on the evolution and development of the accounting and its spread to the African countries were explored. The study used relevant text books and journal articles in tracing the evolution and development of the accounting with focus on three countries in Africa namely Nigeria, Egypt, and South Africa.

## **3. THEORETICAL FOUNDATIONS OF THE STUDY**

This section reviewed the relevant theory of the study.

### **3.1. Agency Theory**

Regardless of the size of the business organization, the accounting information is required to make informed business and economic decisions. As the business organization increases in size, the needs of the accounting information would also increase. The separation of the owners of the business from the management of their business necessitated the needs to put the mechanism in place that would protect the owners of the business who are the principals or shareholders that provided the needed capital to the organization. The shareholders delegated decision making process in their organization to the agents or managements who are running the business organization. The agency theory proposed that the agents or the managements would look after their own interest instead of the interest of the shareholders. The theory cited the conflict of interest between the shareholders and the management as the reason for this divergence in the interest of the principals and the agents. The attitude of the principals and the agents towards taking risk is another issue pointed by this theory. The agents have access to the information that the principals do not have. The theory believed that the agents would use the information asymmetry to their own benefit even when this is detrimental to the principals. The preparation and presentation of the credible and reliable financial statements by the agents that is acceptable to the shareholders is very crucial in the principal-agent relationship. This study is anchored on the agency theory because it is the theory that addresses the issues arising from the relationship between the principals and the agents. That is, any other organizational activities resulted from the principal-agent relationship (Clarke, 2007).

## **4. LITERATURE REVIEW**

This section reviews literature pertinent to the origin and development of accounting with special focus on selected African countries, namely Nigeria, Egypt, and South Africa.

#### **4.1. Evolution and Development of Accounting**

Accounting has been in existence for over one thousand years, but the demand for the accounting service is limited as the business organizations during pre-industrial revolution was organized at subsistence levels. Hence the need for the sophisticated accounting practices was not required during this period as the owners of the businesses managed their businesses by themselves. Those who employed other people to give them helping hand were working with those who were employed in close proximity, thus there were no obstacles in getting the needed information about the businesses. The industrial revolution that took place between 1700 and 1800 and beyond changed the requirements for running business organizations as well as how to accounting for the activities of the contemporary business organizations during this period. The accounting evolved at different stages in various parts of the world. The history of accounting in various countries, including African countries was influenced by the colonial masters. Though, the African countries had their own methods of accounting for their business activities before the colonization. But the accounting practices in the African countries that were later colonized by the France were influenced by the French accounting practices while the accounting practices of the countries colonized by the British were influenced by the British accounting practices. The evidences of the accounting in terms of record keeping were limited in the African countries as the evolution and the development of the accounting were influenced by the expansion of the business organizations. Since the African countries did not witness the type of business expansion witnessed by their colonial masters, there were no incentives for the African countries to develop a sophisticated accounting system. The development of the double entry bookkeeping method popularized the record keeping of the business activities around the world. Though double entry book keeping has been practiced in some parts of the world, especially in Greece; but it was not popular until Luca Pacioli published his book on double entry book keeping in 1494. Luca Pacioli was an Italian monk, a mathematician, and a teacher who acknowledged that he was not the first author to introduce double entry book keeping. Despite his acknowledgement, some people still believed that he is the father of accounting because of his contribution to the accounting discipline through his book publication on the double entry book keeping (Berisha&Asllanaj, 2017; Unegbu, 2014; Ibadin & Oyakhiromhe, 2010; Obara , 2004; Boolaky, 2003; Moussa, 2010; Walker, 2005).

As the business organizations grew in size, the complexities of running them and keep the records of the activities of such organization also grew. The evolution and development of accounting around the world did not happen at the same pace. This was so because the main influences of the evolution and development of accounting such as national culture, economic and political factors were not at the same level in various countries. Therefore the differences in these factors reflected the different stages in the evolution and development of the accounting in various countries around the world, African countries inclusive. Evidences of the primitive or substandard method of re record keeping can be traced to various countries around the globe before the industrial revolution. The origin of accounting can be traced to the ancient period of Babylon, Sumerian, Mesopotamia, and Assyria, China, and Egypt (Berisha & Asllanaj, 2017; Moyo, 2015; Obara, 2004). The earlier evidences of record keeping of the business activities were also found in the countries such as Italy, Greece, and later in the United Kingdom and United States of America during the industrial revolution. The evidences of record keeping were also found in the African countries such as Egypt and Nigeria, which also had their own methods of record keeping before the industrial revolution. Egypt is one of the African countries as well as a member of Arab countries and it is among the earliest countries that kept proper records of their business transactions. The Arabs contributed to the evolution and development of the accounting, especially through the invention of the figures, known as Arabic figures that have been used and were still using in the books of accounts (Berisha&Asllanaj, 2017; Unegbu, 2014; Ibadin &

Oyakhiromhe, 2010; Obara, 2004; Boolaky, 2003; Moussa, 2010; Alexander, 2002).

#### **4.2. Accounting Evolution and Development in Nigeria**

It is not possible to talk about the evolution and development of accounting of a nation without discussing the economic development of such nation. The development of the industries in various countries was the prerequisite for the evolution and development of accounting in those countries. Though Nigeria was not developed industries that necessitated the evolution and development of a sophisticated accounting system witnessed in developed economies such as Italy, Greece, and others, but Obara (2004) argued that Nigeria have been participated in the world commerce before the colonization. He argued that Nigeria participated in Oldowan, Acheulian, and Sangoan industries, both in the early Stone Age and late Stone Age. These industries used primitive tools such as stone as the technology to produce different stone tools in carrying out their business activities such as hunting which were at subsistence level during this period. He argued that Nigeria also employed clay, copper, and iron as a means of technology during these periods. There was no formal accounting, record keeping during this period in Nigeria but clay and stone were among instrument used to keep a record of the business activities. Nigerian society used resources at their disposal to gather and disseminate information that was used to manage the economic activities during this period. It is argued that with the constraints and the opportunities at hand, Nigerian society made use of what were available at their disposal (Ibadin&Oyakhiromhe, 2010; Obara , 2004; Boolaky, 2003; Moussa, 2010).

Nigerian society keeps book keeping records for three purposes. First, to know how much was due to the store keeper or how much the book keeper needs to return to the owner of the business. The second purpose is the calculation of the financial position for decision making purpose which may include physiological and social-psychological needs. The ability to marry more wives may be part of the decisions. The third purpose is to know how the business activities, which were mainly subsistence farming, hunting, and fishing; we are doing in terms of the performance in order to be able to allocate scarce resources effectively and efficiently. The primitive way of keeping accounting records in the pre-colonial era served its purpose then and the traditional accounting system can still be found in some parts of the country. Those who cannot use the traditional accounting system opted for alternative one that was originated from the Europe. The ancient book keeping methods employed in Nigeria before colonization include the carving system, the wall stroke system, memory-bases system, counter containers, tally system, and raffia system. It was indicated that the accounting system in Nigeria as it stands today was influenced by the Arab civilization and European traders, missionaries, and the colonization and these two influences have everlasting impact on the accounting system in Nigeria (Obara, 2004).

Raji and Abejide (2013) indicated that organized commercial activities were well established in various parts of what is now known as Nigeria before the colonization. They mentioned well organized commercial activities in the Yoruba kingdom that was divided into many states. The states in the kingdom were placed under the guild system that served as the central governing body which controlled both the political and social activities as well as the commercial activities. They argued that the commercial activities practiced during the period gave the kingdom a strong economic development. The guild system is in charge of prescribing the rules and regulations needed for the running of the commercial activities for the members of the communities in the kingdom. They indicated that cowry shells were the mediums of exchange in the commercial activities and the Europeans who visited the kingdom were surprised at how the commercial activities were well organized.

The first Nigeria accounting professional body named The Association of Accountants in Nigeria was formed in 1958 by a group of Nigerian accountants. The organization served as the umbrella body for the accountants in Nigeria and it was charged with the responsibility of training, examining, and graduating the accounting students in the country. Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) were established in 1965 and 1979 respectively, and they remained the main accounting professional bodies in Nigeria (Ibadin & Oyakhromhe, 2010; Obara, 2004; Boolaky, 2003; Moussa, 2010).

#### **4.3. Accounting Evolution and Development in Egypt**

Egypt is an African country and a member of Arab countries that embraced Islam religion and it is among the countries that started the organization of a society in a civilized way. That is, Egypt can be seen as one of the countries where civilization started and the introduction and the development of the civilization helped Egypt to be among the countries that started accounting in the form of book keeping. The evolution and development of accounting of any nation depend on the business or economic activities of such nation. Therefore, it is not possible to talk about the evolution and development of accounting in Egypt without discussing its economic activities. Egypt is located around the Nile river valley and this location played tremendous importance in the economic and business activities of the ancient Egyptian period. Egypt took the advantage of this valley at its disposal and made the maximum use of it to start, develop, and enhancing its economic activities. Traditionally, Egypt is occupied by a dry land, but the water provided by the Nile river valley helped the country to solve the problem encountered by the acute shortage of water or drought. This valley helped Egypt to flourish, excel, and developments in agricultural farming. The valley enabled the plantation of different crops for local consumption as well as for exportation. The Nile river valley also provided an excellent environment for the growing of the papyrus plants that can be seen alongside the Nile river valley coast. The papyrus plants provided raw materials for the Egyptians to produce or manufacture papers and boats. This environment helped Egypt in developing and growing of its economic activities. The Nile river valley also helped Egypt in the transportation of its goods to the neighboring countries and the expansion of its economic activities. This had led to the expansion and enhancement of the buying and selling business activities, especially in the areas of crops produced by different types of farming. The economic activities later extended to trading in gold, ebony, ivory, aromatic resins, monkeys, and baboons. The evolution and development of the economic activities in the ancient Egypt had necessitated the need for proper and appropriate record keeping in order to trace the business activities, thus gave the birth to the evolution and development of accounting in Egypt (Berisha & Asllanaj, 2017; Akinyemi, Okoye, & Izedonmi, 2015; Dumon, n.d; Obara, 2004).

During the ancient Egypt that preceded the civilization the need for information about the performance of the business organization that was not important as the business owners were running their business and also in charge of their businesses. The business owners have access to the information needed to make informed business and economic decisions. Even those who sought and employed employees were working closely with those employed thus difficulties in having access to the needed information was nonexistent. The owners of the business had constant contact with their employees and this opportunity eradicated the problems that may result from information asymmetry. The advent of civilization helped in the development and improvement of the economic activities. As the economic activities of Egypt were improving, expanding, and growing, the needs for the proper record keeping of the business activities also grew. It now became necessary to keep the record of the performance of the business organization in order to make informed business and economic decisions regarding the allocation of the resources. The expansion of the economic activities also

invited the members of the society or the public to contribute funds that would provide capital needed for running the organization. The presence of the outsiders as the shareholders required the management to provide information about the performance of the organization as well as its net worth. The needs and demands of the information about the organizational performance by the providers of the capital called for the proper record keeping of the business activities. This was necessary in order to provide information about the business organization to all the organizational stakeholders in order to make informed business and economic decision. The initial accounting, record keeping was focused on the quantities of gold and the amount of cash received and the disbursement of such gold and the cash. The accounting record keeping was strengthened with the introduction of Zakat. Zakat is mandatory obligatory alms or taxes to help the poor and the needy in the Arab countries in the 624 A.D. that strictly followed the Shariah laws. The proper accounting record keeping is required in order to calculate the Zakat correctly in the Islamic religion. The Quran, the holly book of the Islamic religion required the proper keeping of the business activities in order to pay Zakat from the profit made in the business transactions. In addition, the Quran also required the proper record keeping of the debts incurred during the business activities (Akinyemi, Okoye, & Izedonmi, 2015; Dumon, n.d.; Obara, 2004).

The Arab countries introduced trading among themselves and this development helped the Egyptians to develop a record keeping as there must be accountability for the selling and buying of the goods and services. The Arab countries started trading with different products from farming and different types of methods were employed to record the business transactions during this period. At the beginning of the trading activities and before the introduction of the writing materials; signs, symbolic signs, clay balls, lines, dates, moon, and period was used to denote and record business activities at different levels as well as keeping the records of their agricultural inventories such as wheat, cattle, and sheep. They also used signs and lines written on the wall as record keeping of the business activities during this period. The Egyptians were able to do all the record keepings because of the exposure to the civilization when many parts of the world did not know much about civilization. Initially in the early stage of the trading activities, trade by barter dominated the business activities as the coin and paper money were not in circulation during this period. The Egyptians kept detailed records of trade activities by using tokens to keep the records of inventories and trade transactions. The internal control system designed as a mechanism to check and verify business transactions internally was in place in Egypt during this period. Tokens were used to know the size of the herd and the quantities of the grains harvested. The evidences found in the ancient Egypt also indicated that the priests were taking the stock of the livestock in the villages. The clay tablets were later developed and these were used to record the inventories and business transactions, thus served as the beginning of the writing in the ancient Egyptian civilization. The invention of the clay tablets facilitated the writing of the business activities and made the needs for the tokens unnecessary. That is, the clay tablets were employed in the recording of the business activities such as keeping the record of the rulers' wealth accumulated from business activities. The clay tablets were used to keep the records of the inventory of the livestock, gold, and food stock that were deposited in the stores and the ones taken away from the stores. The clay tablets were also used to keep the records of the gold delivered to the goldsmith as raw materials for the production of jewelry. The introduction of the clay tablets also created the opportunity for the book keepers to add explanatory notes on the business transactions recorded. There were no incentives for the book keepers during this period to be dishonest as any detection of dishonesty by the royal audit in the record kept would be met with stiff punishments such as fine, mutilation, and sometimes death. It is believed that illiteracy and lack of coin money played a significant role in preventing Egypt from developing its accounting system better during this period as it was unable to develop its accounting system to the fullest (Berisha & Asllanaj, 2017; Akinyemi, Okoye, & Izedonmi, 2015; Dumon M. (n.d. Obara,

2004; Alexander, 2002).

#### **4.4. Accounting Evolution and Development in South Africa**

The evolution and development of accounting system in South Africa can be traced to the 17<sup>th</sup> century due to its established economic activities. The colonization of the South Africa by the British in 1806 made it possible for many British accountants to move and settled down in South Africa. In 1820 the colonial master allowed the accountants to be part of the colonial administration and in 1895 the first accounting professional body named South African Committee of Accountants, was formed by group of accounting professionals who were trained in Britain. This accounting professional organization was charged with the protection of the accounting professionals and also to protect the public interest. The flourishing and expansion of the South African economic activities necessitated the continuous improvement of its accounting system. The expansion of the economic activities in South African created new opportunities for the foreign investors to participate in the business. The foreign investors need the reliable and useful accounting information that would enable them to make informed investment and economic decisions. Consequently, the development and improvement of the accounting system in South African became crucial for the sustainability of its flourishing business and economic activities (South-African-Accounting-History-Centre, 2017; Akinyemi, Okoye, & Izedonmi, 2015; Moyo, 2015).

#### **5. CONCLUSIONS**

The review of literature in this study indicated that there were evidences of the record keeping of the business activities that can be traced back many thousand years. This happened even before the industrial revolution that started in the 1700 and continued to the 1900 as it can be seen in the record keeping of the business activities in places such as Greece, Egypt, Italy, Mesopotamia, and China. There were also evidences of record keeping of the trading activities in Nigeria developed with available technologies at its disposal before the colonization and civilization. The early civilization in the ancient Egypt and the Nile river valley helped Egypt in the development of its economic activities by producing different types of agricultural products. The introduction of the trading activities between the Arab countries also played significant roles in the development of the Egyptian economy activities as this resulted in the expansion of business activities in Egypt. The Nile river valley also served as a crucial tool in exporting goods and services to the neighboring countries as well as importing goods and services from the neighboring countries. The literature also indicated that despite the earlier evidences of the accounting records in Egypt, illiteracy and lack of coin money prevented Egypt from fully developed its accounting system beyond simple recording of the business activities. The literature revealed that Luca Pacioli book publication on the double entry book keeping had tremendous influence on the accounting discipline worldwide.

The literature indicated that Nigeria participated in the world business activities even before the colonization. The business activities which were mainly at the subsistence levels occurred in the early Stone Age and late Stone Age. There were indications that Nigeria used different types of symbols to record the business activities which were mainly farming, fishing, and hunting during this period. There is also indicated in the literature that the evolution and development of the accounting in Nigeria were later influenced by the British colonial master that occupied the country until the independence in the year 1960. The Nigerian accountants then were initially trained in Britain through the apprenticeship, but the establishment of the first accounting professional organization named Association of Accountants in Nigeria 1958 was a turning point in the accounting profession in Nigeria. The establishment of The Institute of Chartered Accountants of

Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) in 1965 and 1979 respectively complemented the one formed in 1958 and they are the two accounting bodies in Nigeria.

The evolution and development of accounting in South Africa were similar to that of Nigeria. South Africa was also colonized by the British. The presence of the British accountants that moved and settled in the South Africa and the volume of its economic activities helped in the development of its accounting system. That is, the colonial masters had a great influence in the evolution and development of the accounting system in South Africa. The study also indicated that as the economic activities of the South Africa increased, the needs to keep proper records of the business transactions also increased. This was necessary as the shareholders need information to make informed business and economic decisions.

It is also discovered in the literature that the economic activities of a country determine the accounting practice needed in such a nation as the development of a nation's accounting practice depends on its economic activities. The accounting practice of a nation cannot supersede its economic activities. This study has contributed to the body of knowledge as it sheds more lights on the evolution and development of accounting in selected countries in Africa.

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